

# COMMITTEE ON GOVERNMENT REFORM

## TOM DAVIS, CHAIRMAN



### **NEWS RELEASE**

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### **Davis: Historic Vote on Postal Reform Near**

**WASHINGTON, D.C.** – Congress will move a step closer to enacting postal reform legislation tonight as the U.S. House of Representatives is set to vote on H.R. 22, the Postal Accountability and Enhancement Act. The bill, introduced by Committee Chairman Tom Davis (R-VA) and Rep. John M. McHugh (R-NY), will strengthen the financial future of the Postal Service, guarantee the continuation of universal delivery to all addresses, help reduce future rate increases, and protect the 9 million jobs and \$900 billion in annual commerce that is dependent upon services provided by USPS.

The last time Congress successfully passed legislation to overhaul the Postal Service was 1970, when President Nixon signed the Postal Reorganization Act. Since the bill's introduction in January, Davis has led a bipartisan effort to bring resolution to concerns raised by the Administration, Senate, and other key stakeholders. The Government Reform Committee unanimously approved the bill in April.

**“The legislation we are considering today is the culmination of a decade of hard work and study, not to mention a great deal of bipartisan negotiation and cooperation. Consequently, H.R. 22 now represents our best chance at solving the structural, legal, and financial constraints that have brought the Postal Service to the brink of utter breakdown.**

**“Failing to pass the legislation essentially imposes a 5.4 percent tax on every transaction with the Postal Service. With the Postal Service at the center of a \$900 billion industry representing 8 percent of America's Gross Domestic Product, and employing 1 in 14 working Americans, letting this tax go into effect would be fiscally irresponsible.**

**“To make matters worse, increasing postal rates could send the Postal Service into what some observers have called a ‘death spiral,’ where declining business leads to higher rates, which in turn leads to a further decline in business, until it's too late to change course. Postal reform is not a luxury we cannot afford – it is a necessity we can no longer avoid,”** said Chairman Davis.

The major provisions of the Postal Accountability and Enhancement Act remain:

- **Universal Service.** First and foremost this bill preserves the Postal Service's commitment to universal service: the guaranteed delivery, six days a week, to each and every address in the United States.
- **Pension responsibility.** Second, it returns responsibility for funding the military cost of Postal retirees' pensions to the Treasury Department, where it rightfully belongs. This liability was shifted to the Postal Service in the last Congress. That shift was little more than an accounting gimmick, but it is one that must be reversed if we are serious about fixing the Postal Service's long-term balance sheet.
- **Escrow account.** The bill frees up the \$73 billion in civil service retirement savings that have been held in escrow for USPS, allowing the Postal Service to use this money to defray rate increases, among other options.
- **Modern Rate Regulation.** This legislation shifts the basis of the Postal Rate Commission from a costly, complex scheme of rate cases to a modern system designed to ensure that rate increases generally do not exceed the annual change in the Consumer Price Index. This applies only to market-dominant products such as letters, periodicals, and advertising mail, because the Postal Service is provided with different pricing freedom for its competitive products like Express Mail and Priority Mail.
- **Strengthening the Commission.** This Act would rename the Postal Rate Commission to the Postal Regulatory Commission and give it teeth by granting it subpoena power and a broader scope for regulation and oversight.
- **Direction for future reforms.** Finally, the Act sets the stage for future reform by mandating several studies, including a comprehensive assessment of the scope and standards for universal service.

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